LAW FOUNDATION OF NOVA SCOTIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2002

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AUDITORS' REPORT

To The Board of Governors of the Law Foundation of Nova Scotia

We have audited the statement of financial position of the Law Foundation of Nova Scotia as at March 31, 2002 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Law Foundation of Nova Scotia derives substantially all of its revenue from interest credited by financial institutions on Nova Scotia Barristers' Society members' mixed trust funds which is not susceptible to complete audit verification. Accordingly, our verification of revenue from this source was limited to accounting for the amounts received from financial institutions and recorded in the records of the Law Foundation of Nova Scotia.

In our opinion, except for the effect of the adjustments, if any, had interest credited by financial institutions been susceptible to complete audit verification, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2002 and the results of its operations, changes in net assets and cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

CHARTERED ACCOUNTANTS

Bedford, Nova Scotia

April 12, 2002

LAW FOUNDATION OF NOVA SCOTIA

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2002

	2002	2001
	$	$
ASSETS		
CURRENT ASSETS		
Cash	**302,645**	229,535
Accounts receivable	**10,485**	9,220
Prepaid expenses	**2,246**	2,063
	315,376	240,818
INVESTMENTS - GENERAL (note 3)	**1,230,033**	1,714,677
INVESTMENTS - RESTRICTED (note 4)	**2,000,075**	1,686,716
CAPITAL ASSETS (note 5)	**8,246**	8,388
	3,553,730	3,650,599
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**7,913**	4,194
Designated grants payable (note 6)	**1,192,392**	1,053,432
	1,200,305	1,057,626
NET ASSETS		
GENERAL FUND	**353,350**	906,257
RESTRICTED FUND	**2,000,075**	1,686,716
	2,353,425	2,592,973
	3,553,730	3,650,599

COMMITMENTS (note 8)

APPROVED ON BEHALF OF THE BOARD

Governor

Governor

LAW FOUNDATION OF NOVA SCOTIA

STATEMENT OF OPERATIONS AND CHANGES IN GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2002

	2002	2001
	$	$
REVENUE		
Interest on trust accounts	1,159,925	1,935,955
Interest on investments	55,336	80,996
	1,215,261	2,016,951
GRANTS (note 6)	1,330,886	1,835,587
	(115,625)	181,364
EXPENDITURES		
Salaries and benefits	74,742	73,987
Accounting and audit	9,177	7,418
Rent and common area	9,187	8,560
Office	4,800	5,713
Telephone	1,627	1,805
Computer consulting	3,272	1,668
Travel and meetings - board	865	3,753
Travel - staff	3,060	599
Bank charges	759	(220)
Broker's fees	2,793	-
Miscellaneous	2,934	-
Depreciation	2,386	3,584
	115,602	106,867
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(231,227)	74,497
GENERAL FUND - beginning of year	906,257	831,760
TRANSFER TO RESTRICTED FUND (note 7)	(321,680)	-
GENERAL FUND - end of year	353,350	906,257

LAW FOUNDATION OF NOVA SCOTIA

STATEMENT OF OPERATIONS AND CHANGES IN RESTRICTED FUND

FOR THE YEAR ENDED MARCH 31, 2002

	2002	2001
	$	$
REVENUE		
Interest on investments	59,934	82,195
Dividend income	6,566	-
	66,500	82,195
EXPENDITURES		
Broker's fees	20,619	7,858
Loss (gain) on disposal on investments	51,801	(2,576)
Foreign exchange loss	2,401	-
	74,821	5,282
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(8,321)	76,913
RESTRICTED FUND - beginning of year	1,686,716	1,609,803
TRANSFER FROM GENERAL FUND (note 7)	321,680	-
RESTRICTED FUND - end of year	2,000,075	1,686,716

LAW FOUNDATION OF NOVA SCOTIA

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2002

	2002	2001
	$	$
CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures	(239,548)	151,410
Depreciation	2,386	3,584
Approved grants	1,330,886	1,835,587
Payment of grants	(1,191,926)	(1,552,510)
Loss (gain) on disposal on investments	51,801	(2,576)
	(46,401)	435,495
Change in noncash working capital balances		
Accounts receivable	(1,265)	8,895
Prepaid expenses	(183)	(17)
Accounts payable and accrued liabilities	3,719	(2,254)
	(44,130)	442,119
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Acquisition of capital assets	(2,244)	(143)
Investments - General	-	-
Purchase of investments	(1,490,033)	(310,125)
Proceeds on disposal	1,974,677	-
Investments - Restricted	-	-
Purchase of investments	(2,600,860)	(162,084)
Proceeds on disposal	2,235,700	87,747
	117,240	(384,605)
CHANGE IN CASH DURING THE YEAR	73,110	57,514
CASH - beginning of year	229,535	172,021
CASH - end of year	302,645	229,535

LAW FOUNDATION OF NOVA SCOTIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2002

1. DESCRIPTION OF OPERATIONS

The Law Foundation was established in 1976 by a Nova Scotia statute and is exempt from income tax. Its purpose is to grant funds to groups for projects connected with the law.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Investments - General
These investments are recorded at cost.

Investments - Restricted
These investments, that have been restricted by the Foundation's Board of Directors, are recorded at cost.

Revenue Recognition
Interest on trust accounts is recorded on a cash basis when transferred to the Foundation. Interest on investments, unrestricted and restricted are recorded on the accrual basis. Dividend income on unrestricted investments are recorded on a cash basis when received.

Capital Assets
Capital assets are stated at cost. Depreciation is provided using the following annual rates and methods:

	Rate	Method
Office equipment	20%	Diminishing balance
Furniture and fixtures	20%	Diminishing balance
Computer hardware	3 years	Straight line
Computer software	3 years	Straight line

Fund Accounting
The board of directors has internally restricted funds to finance future operations of the Foundation. The net investment income earned on these assets is recorded in the restricted fund.

The general fund accounts for the Foundation's day-to-day activities which include the interest income on lawyers' trust accounts, the interest income on the investments, less grants approved and paid, and the administrative expenses relating to the running of the Foundation.

3. INVESTMENTS - GENERAL

At March 31, 2002, the Foundation's investments held in the general fund are comprised of the following:

	2002	2001
	$	$
Fixed income funds (market value - $1,159,059)	**1,158,911**	1,714,677
Cash	**71,122**	-
	1,230,033	1,714,677

4. INVESTMENTS - RESTRICTED

The Foundation has internally restricted funds totalling $2,000,075 (2001 - $1,686,716) for the purpose of covering continuing commitments should the Foundation not have sufficient resources to maintain its future grants. At March 31, 2002, the Foundation's investments held in the restricted fund are comprised of the following:

	2002	2001
	$	$
Equities (market value - $1,643,345)	**1,558,748**	338,794
Fixed income funds (market value - $359,256)	**366,705**	1,229,624
Money market fund	**-**	116,946
Cash	**74,622**	1,352
	2,000,075	1,686,716

LAW FOUNDATION OF NOVA SCOTIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2002

5. CAPITAL ASSETS

	2002			2001
	Cost	Accumulated Depreciation	Net	Net
	$	$	$	$
Office equipment	21,449	16,544	4,905	6,131
Furniture and fixtures	4,582	2,591	1,991	2,162
Computer hardware	8,519	7,386	1,133	-
Computer software	5,225	5,008	217	95
	39,775	31,529	8,246	8,388

6. DESIGNATED GRANTS

The Board of Governors has approved grants totalling $1,333,984 less $3,098 of grants revoked relating to the previous year, for a net of $1,330,886, during the year ended March 31, 2002 (2001 - $1,835,587). Grants that have been approved but remain unpaid at year end are reported as liabilities. These unpaid grants are expected to be paid out of existing cash resources and future revenues.

7. INTERFUND TRANSFERS

During the year, the Board of Directors approved a transfer of $321,680 from the General Fund to the Restricted Fund.

8. COMMITMENTS

The Foundation rents it's premises under a long-term lease which expires August 31, 2004, the annual rental for which is $9,781.

The Foundation has approved $430,000 of grants for the year April 1, 2002 to March 31, 2003 which have not been recorded in the financial statements to date.

9. COMPARATIVE FIGURES

Certain figures presented for comparative purposes have been reclassified to conform with the financial statement presentation adopted for the current year.